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Georgia Power and Gas Infrastructure Project (PGIP)

QUARTERLY REPORT

Q4 FY 2011; July, August, and September 2011



October 10, 2011

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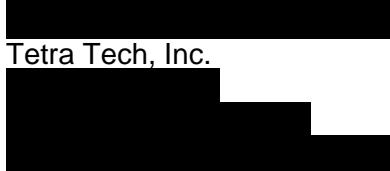
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Acknowledgements

We wish to acknowledge and thank [REDACTED] for preparing this report by pulling together all the contributions from the team. Our thanks go to the team members at [REDACTED] [REDACTED] for the text and details they contributed, in particular, [REDACTED]. Lastly, we thank [REDACTED] for fact checking and formatting.

Contents

1.0 EXECUTIVE SUMMARY	5
2.0 PROGRAM STAFFING.....	6
2.1 EXPAT STAFFING	6
2.2 EXPAT STAFFING CHALLENGES	6
2.3 LOCAL NATIONAL STAFFING.....	6
2.4 LOCAL NATIONAL STAFF CHALLENGES	6
3.0 CONTRACT/TASK ORDER ACTIVITIES.....	7
3.1 GAS INFRASTRUCTURE DEVELOPMENT AND REHABILITATION	7
3.1.1 <i>Performed Studies and Reviews</i>	7
3.1.2 <i>Field Operations</i>	9
3.1.3 <i>Meetings</i>	9
3.1.4 <i>Letters of No Objection</i>	10
3.1.5 <i>Site Visits</i>	11
4.0 POWER INFRASTRUCTURE (ELECTRICITY TRANSMISSION UPGRADE, RECONSTRUCTION AND OPERATION)	13
5.0 CAPACITY BUILDING.....	14
6.0 PUBLIC RELATIONS AND BRANDING	14
7.0 ENVIRONMENTAL ASSESSMENT.....	15
7.1 ELECTRICITY COMPONENT	15
7.2 GAS COMPONENT	15
8.0 PROCUREMENT PLAN (CAPE SOFTWARE).....	15
9.0 ABBREVIATIONS.....	16

Tables

TABLE 1 ACTIVE Q2 WORK ORDERS.....	5
TABLE 2 INTERNATIONAL STAFFING AND DEPLOYMENT	6
TABLE 3 LOCAL NATIONAL STAFFING	6

Quarterly Report
Q4 Fiscal Year 2011; July, August, and September 2011

1.0 Executive Summary

This is the Fifth Quarterly Report submitted under Task Order **AID-EDH-00-08-00027 – AID-114-TO-10-00003**; Georgia Power and Gas Infrastructure Project. The reporting period is for July 1, 2011 through September 30, 2011.

Table 1 Active Q4 FY 2011 Work Orders

Table 1 Active Fourth Quarter FY 2011 Work Orders										
Work Order Type	Sector									
	Power Infrastructure	Gas Infrastructure	Tender Documents	Construction Oversight	Capacity Building	Public Relations and Branding	Quality Assurance and Quality Control	Environmental Assessment	Design Activities	Procurement Plan
Administrative Work Orders										

For the power component of the project the significant progress in the fourth quarter was:

- The finish of the geotechnical survey by Basiani-93. The results of this survey enabled the Tetra Tech engineers to confidently proceed with the design of the line and substations.
- Development of the pre-qualification document for construction of the Senaki 220 kV transmission line and the Menji and Tskaltubo substations.
- Finalization of the project design criteria.
- Development of Volume 2 of the project tender documents (USAID is preparing Volume 1).

For the gas component of the project the significant progress was resolution of the GRS issue which took place in September.

Quarterly Report
Q4 Fiscal Year 2011; July, August, and September 2011

2.0 Program Staffing

2.1 Expat Staffing

Table 2 International Staffing and Deployment

2.2 Expat Staffing Challenges

[REDACTED] provided a permanent replacement, [REDACTED] for the position formerly held by [REDACTED], who resigned from [REDACTED] in the second quarter of 2011. In the fourth quarter after receiving an approval, [REDACTED] resumed service as the PGIP Senior Engineer, responsible for implementation of the Component 2 (the Gas Transit Infrastructure Construction, Replacement and Rehabilitation) project.

2.3 Local National Staffing

Table 3 Local National Staffing

Employee Name	Position	Start Date

2.4 Local National Staff Challenges

Tetra Tech is working to provide a more rapid and timely translation services to the Component 2 gas team.

3.0 Contract/Task Order Activities

3.1 Gas Infrastructure Development and Rehabilitation

3.1.1 Performed Studies and Reviews

During the fourth quarter of FY 2011 the PGIP team's main focus was continuously concentrated on support and oversight of the Senaki – Poti – FIZ (free industrial zone) project completion. The project entered its final stage and based on redrafted schedule was supposed to be completed by the end of August 2011. For ensuring control over the quality, expense and implementation precision, the PGIP team dedicated special attention to all ongoing operations.

The team's focused was equally carefully concentrated to the Kutaisi – Abasha pipeline rehabilitation and more specifically to its Senaki-Abasha component.

In the fourth quarter the team was actively involved in all major operations related to the Senaki – Poti pipeline construction monitoring and in confirming completion of the construction. These activities included drafting of analyses, recommendations, studies and reviews of the documentation submitted by the GOGC, hydrostatic testing, and the project contractors and providing relevant feedbacks and recommendations on them.

The PGIP team has drafted:

- The PGIP Work Plan for Component 2, which covers the project period till September, 2012.
- Studies and recommendations for the crossing alternatives for Abasha - Senaki water body crossings. Horizontal direction drilling is being considered. The documentation was finalized and submitted to USAID on September 23.
- At USAID's request, provided cost estimates for pipes and other materials for the Abasha-Senaki pipeline. The document was submitted on August 26.
- A report on the "Acceptable Levels of Gas Losses" for an operating natural gas pipeline. It was submitted to USAID on September 12.
- A draft of advice on the contracting strategy for works, specifically, on pre-qualification needs was completed. Currently it is in final reviewing process and will be submitted in the Q4.
- A draft of a Future Approaches Report was prepared, and is being reviewed by Tetra Tech for submission, which is expected to take place in Q4. The plan is to finalize the report after the Senaki – Poti gas pipeline is in service.
- Weekly reports of project activities were prepared and submitted to USAID.

Quarterly Report
Q4 Fiscal Year 2011; July, August, and September 2011

- The updated Performance Monitoring Plan, which reflected all changes, achieved progress and some additional criterion for monitoring the performance was submitted to COP for final review and approval.
- The Annual Report, which provided detailed information in relation to all major activities, achievements, problems and obstacles was submitted to the COP for his final review and approval.

During the given period the PGIP team had:

- Reviewed procedures and plans related to the project implementation, which was developed by the project contractors and GOGC. Implementation of Specifications, QA / QC Inspection procedures.
- Reviewed the amended pipeline project details: engineering surveys, calculations, drawings, environmental issues, technological issues and organizational part. The team continues to make a positive assessment of the project, with two exceptions:
 - Construction progress lagged behind the revised completion schedule. Construction was substantially completed on September 9, 2011. However, the line has yet to be commissioned and put into service; and, the work of Sakhidro has yet to be completed.
 - Construction no longer includes the Gas Regulating Station, an integral component of the pipeline system. It was established in late September that the GRS as not needed at this time.
- Reviewed the procurement documentation related to supply and installation of the GRS tender. The team had provided a letter of No Objection on studied materials. After determining the acceptability of the GRS facilities installed by the SOCAR, this tendering process was cancelled.
- Reviewed the invoices submitted by the construction contractor Sakhydro. The Tetra Tech team had compared the stated performance with the actual one and issued a letter of No Objection.
- Reviewed the “final” design of the Abasha - Senaki pipeline and provided a letter of No Objection.
- Reviewed an environmental assessments and the project implementation schedules.
- A draft of the requirements for Conditional Acceptance and Commissioning for the Senaki Poti pipeline was prepared and reviewed with USAID and GOGC participation. The Conditional Acceptance will be based on compliance with the requirements of the GOGC project documents.
- Reviewed the design alignment sheets for Abasha - Senaki pipeline, Tetra Tech considered them acceptable and provided a letter of No Objection.

Quarterly Report
Q4 Fiscal Year 2011; July, August, and September 2011

With respect to the Kutaisi - Abasha pipeline GOGC developed Scoping Statement which was approved by the Bureau Environmental Officer (BEO) on June 15. Later GOGC in coordination with Tetra Tech developed the Project's Environmental Assessment (EA). The document went through the BEO revision, the PGIP and GOGC specialists incorporated all comments and suggested changes and resubmitted it for the final review. The document is in the process of approval, which is anticipated to be completed in the first quarter of FY 2012.

3.1.2 Field Operations

In the fourth quarter of FY 2011 the PGIP team continued a very close monitoring of the Senaki - Poti pipeline construction.

The team had performed number of visits to the construction sites. Based on information obtained during these field studies the team was able to make decisions about No Objections, issue recommendations and draft other project related documents.

The team continued to provide construction status reports in relation to uncompleted lots of the Senaki – Poti – FIZ pipeline project. The reports contained detailed information in relation to indicated shortfalls, concerns and recommendations.

3.1.3 Meetings

For accomplishing the project tasks, the PGIP team had held number of formal and informal meetings with the involved parties. This allowed a close participation in the development processes and ensured issuance of relevant recommendations for GOGC, the construction companies and other involved parties.

From the number of formal and recorded meetings, the major discussions took place during the following ones:

On **July 18**, a meeting was held with GOGC and USAID, during which the participants held detailed discussions in relation to:

- Status of Senaki – Poti pipeline construction
- Observations regarding Abasha – Senaki Pipeline project plans
- Design of Kutaisi - Abasha Pipeline

On **August 2**, a meeting was held with GOGC and USAID for reviewing the field observations and for identifying all ongoing needs. In particular, the following subjects had been discussed:

- Status of the Senaki – Poti Pipeline construction.
- Plans related to GRS tender for system supply and installation.
- Plans for Future Approaches Report, which has been drafted.
- No Objection about the technical specifications and other tender documents for the GRS.
- Status of Sakhydro payment request review and No Objection.
- The materials bid schedule.
- Design Plan details for the Abasha – Senaki and Kutaisi – Senaki pipelines.

Quarterly Report
Q4 Fiscal Year 2011; July, August, and September 2011

On **August 26** the PGIP gas expert [REDACTED] had participated in the bid opening meeting, for the Abasha Senaki Materials tendering. As a result of observations, the PGIP team considered process to be satisfactory and didn't provide any critical remarks.

On **September 2** a Steering Committee Meeting was held with GOGC and USAID representatives. The participants have discussed:

- Proposed meeting with Azertunnel.
- Proposed visit to Azertunnel facilities.
- Acquiring information from US based horizontal directional drilling (HDD) contractor.
- Trip plans for inspecting the Senaki - Poti Pipeline.
- Detailed schedule of the Abasha - Senaki Pipeline project.
- Delivery status of procedures related to the Abasha - Senaki Pipeline, which is supposed to be provided by GOGC.
- Senaki - Poti Pipeline construction completion status, problems, quality assurance actions to be performed.
- GRS tender related issues for the Senaki - Poti Pipeline.
- No Objection letter for the Abasha - Senaki Pipeline design.
- Scope of work for the Abasha - Senaki Pipeline rehabilitation.
- Abasha - Senaki material bids status and other details.
- Kutisi - Abasha Pipeline specification and design drawings.
- Kutisi -Abasha and Abasha-Senaki Pipelines contractor pre-qualifications

On **September 21** a Steering Committee Meeting was held with GOGC and USAID representatives. The committee has reviewed:

- Problems of the 32 land parcels which are related to the Senaki - Poti Pipeline.
- Senaki - Poti Pipeline status and commissioning check list.
- Kutisi - Abasha Pipeline design documents and material specifications.
- Cost estimations for the Rioni HDD crossing.
- Details related to the Senaki - Poti Pipeline GRS, which is located near Patara Poti.

On **September 29** a meeting was held with GOGC representatives for reviewing the construction documentation for the Senaki-Poti Pipeline.

On **September 30** a meeting was held with USAID, during which the PGIP team provided detailed information about the status of all ongoing actions and meeting results held with GOGC representatives in relation to the Senaki - Poti Pipeline completion.

3.1.4 Letters of No Objection

During fourth quarter of FY 2011 the PGIP team has issued letters of No Objection regarding the following documents and submittals:

1. On **July 13** a letter of No Objection was issued in relation to the technical specifications of materials, which will be used for the Abasha – Senaki Pipeline construction and rehabilitation.

Quarterly Report
Q4 Fiscal Year 2011; July, August, and September 2011

2. On **July 14** the team had finalized reviews and issued a letter of No Objection on the progress payment invoices received from the contractor – Sakhydro. The invoices are related to the works conducted on Lots I, II and III of the Senaki – Poti – FIZ Pipeline Project. They cover period through June 29, 2011.
3. On **July 20** a letter of No Objection was issued in relation to the bidding documents provided by GOGC for procurement of materials for the construction of the 29 km section of the Senaki – Abasha Pipeline.
4. On **July 21** a letter of No Objection was issued in relation to use of spiral welded pipe.
5. The project team evaluated two progress payment invoices submitted by the Senaki - Poti Pipeline contractor Sakhydro. The invoices covered period to July 24, 2011 and are related to works conducted on Lots I and II of the Senaki – Poti – FIZ Pipeline Project. A letter of No Objection was issued on **August 12**.
6. On **August 16** the team had completed review of the Bidding Documents for the Gas Regulating Station, for the Senaki – Poti Pipeline and issued a letter of No Objection.
7. On **September 2** the Tetra Tech team has completed evaluation of the drawings created by the Georgian Oil And Gas Corporation for the final design of the Abasha – Senaki gas pipeline. A letter of No Objection was submitted on the same day.
8. On **September 26** the PGIP team completed documentation and field studies, as well interviews with involved parties and issued a letter of No Objection. It is related to the third GRS located at or near KM 25 north of the village of Patara Poti from the project and not being procured and installed at this time.
9. On **September 28** the PGIP team had completed review of technical conditions for the procurement of the material for the Kutaisi – Abasha section of the pipeline project. It was considered to be in full technical compliance with the project requirements and a letter of No Objection was submitted to USAID.

3.1.5 Site Visits

1. On **August 2** the PGIP team performed a site visit to the Senaki – Poti - FIZ project area for observing the construction status.
2. On **August 2** the team also visited the Abasha - Senaki Pipeline route, for reviewing the design plans. There were discussions about alternative routing (north or south of riv. Rioni) of the proposed Kutaisi - Abasha Pipeline. The team also visited the riv. Tsivi, riv. Tekhura, and riv. Negola crossings areas (Abasha – Senaki section) and reviewed the crossing alternatives.
3. On **August 15** the Tetra Tech team performed a site visit for observing the hydrostatic pressure testing of Lot II section of the Senaki-Poti Pipeline.

Quarterly Report
Q4 Fiscal Year 2011; July, August, and September 2011

4. On **September 14** a field trip was conducted by representatives of USAID, Tetra Tech and GOGC for observation of Senaki - Poti construction. Selected sites included: the beginning point of the pipeline, a cathodic protection rectifier site, a cathodic protection test point, the aerial crossing of drainage channel, the aerial crossing of the R. Rioni, the mainline GRS site and the SOCAR regulator sites. The planned R. River site on the Kutisi - Abasha pipeline was also visited to discuss the optional methods of crossing. At the completion of the trip an action list was developed.

4.0 Power Infrastructure (Electricity Transmission Upgrade, Reconstruction and Operation)

During the fourth quarter of FY 2011 further progress was made on the electrical part of the Georgia Power and Gas Infrastructure Project (PGIP). The following summarizes the pertinent activities during this period.

- LTD Basiani 93 has completed ground surveys and geotechnical investigations for the Senaki 220 kV transmission line and submitted to the PGIP team for the final review and approval. The team's experts made number of comments and requested corrections. Basiani 93 had redrafted the document which was given back to the company with request of additional changes. Basiani 93 fulfilled all requirements and after completion of the final review, the ground survey and geotechnical investigations were submitted to USAID.
- The PGIP team prepared a draft pre-qualification document and provided to USAID to solicit interest from Design-Build contractors for the construction of the Senaki 220 kV transmission line and the Menji and Tskaltubo substations. Through ongoing discussions, USAID decided not to use a separate pre-qualification process, and the document was revised to be feasible for the qualification purposes. By the end of the fourth quarter of FY 2011 it was resubmitted for USAID review and the work progress is expected to be completed in first quarter of FY 2012.
- The Tetra Tech team continued to actively contact experienced U.S. Design-Build contractors for ensuring their awareness in relation to the upcoming project.
- The team has finalized the project design criteria. This document was revised based on the obtained information and observations made during the field visits and will be submitted to USAID in the fourth quarter.
- The PGIP team continued to review and revise the overall project schedule. The schedule is revised on an as-needed basis to be consistent with objectives, discussions and meetings with USAID.
- By the end of the four quarter of FY 2011 (actually, October 6th) the team completed the review of the draft Volume 2 of the project Tender Documents. It included the engineering design details necessary for the construction of the project's electrical portion.
- The PGIP teams had held weekly meetings with USAID for completion of the Volume 1 of the project's tender documents.
- The “Sources Sought” document was prepared to solicit interest from a potential contractors for the construction of the Senaki 220 kV transmission line, the Menji and Tskaltubo substations which was submitted to USAID. Subsequently the “Sources Sought” document was advertised through appropriate government channels. Responses from interested contractors were received directly by USAID.
- The project team continues to hold internal technical meetings for the design and preparation of the project tender documents.

5.0 Capacity Building

Project team has and will continue to provide on - the-job and informal mentoring to both GSE and GOGC personnel.

In the fourth quarter of FY 2011 Tetra Tech began to review the capacity building needs of GSE and GOGC. The investigation and discussions with GSE and GOGC continues into the fourth quarter. The report will be issued in early fourth quarter.

6.0 Public Relations and Branding

In the fourth quarter of FY 2011 the PGIP team continued its efforts for ensuring public awareness and transparency in relation to the project development, its achievements, status and upcoming events.

As reported in third quarter of FY 2011 the final version of the PGIP website became operational from June 8, 2011. The PGIP team was monitoring and performing constant updates on the website in relation to all changes and events occurring in course of the fourth quarter of FY 2011.

A Success Story on the CAPE software purchased for GSE was prepared and submitted to USAID. A Success Story on the Senaki – Poti gas pipeline was prepared at the end of the fourth quarter of FY 2011 and is being reviewed by GOGC now.

7.0 Environmental Assessment

7.1 Electricity Component

After the consultancy contract was signed, the project team with Gergili Ltd. had developed an Environmental Scoping Statement, which was shared with public representatives during series of public consultation meetings. The document was submitted to USAID BEO for comments which were received on June 20. After the final review the document was approved by BEO on July 20, 2011.

In parallel with above mentioned the baseline survey was completed for the Environmental Assessment. The Environmental Assessment was drafted and submitted for BEO approval on September 24, 2011. BEO comments on the EA were received back in early October and are being worked on now. The approval is expected to take place in first quarter of FY 2012.

7.2 Gas Component

On August 4, 2011 the Environmental Assessment for the Abasha - Senaki pipeline was approved by the BEO.

8.0 Procurement Plan (CAPE Software)

In the second quarter of FY 2011 several meetings with GSE and the Ministry of Energy were held for addressing issues related to the CAPE Software procurement. It was clarified that since the GSE is a state owned enterprise, for signing the license agreement with the overseas company that owns the software, the relevant documents were required to be submitted to the Ministry of Justice of Georgia for its approval.

On March 28, 2011 the revised draft License Agreement was submitted to the Ministry of Justice and the License Agreement on the software procurement was signed by GSE in May. It was submitted to USAID for the final approval and the decision made by USAID on July 28, 2011. The procurement process was promptly resumed by Tetra Tech and GSE received the software in mid August 2011. The training by Electrocon, the supplier of CAPE software, was held in Tbilisi at GSE in late September, 2011.

Quarterly Report
Q4 Fiscal Year 2011; July, August, and September 2011

9.0 Abbreviations

BEO	Bureau Environmental Officer
EA	Environmental Assessment
EPC	Engineering, procurement and construction
Exp	exp (Trow Construction Company)
FIZ	Free industrial zone
FY	Fiscal Year (October through September)
GOGC	Georgia Oil and Gas Company
GRS	Gas regulating station
GSE	Georgia State Electrosystem
HSE	Health, safety and environmental
LLC	Limited liability Company (Corporation)
LTD, Ltd	Limited (corporation or company)
NO	No Objection
NOL	No Objection Letter
O&M	Operations and Maintenance
PGIP	Power and Gas Infrastructure Project
POWER	Power Engineers, Inc.
Pvt	Private
QA/QC	Quality Assurance / Quality Control
SOW	Scope of Work
TEC	Tender Evaluation Committee
USAID	United States Agency for International Development
USD	United States Dollars

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